CAPITALINDIA

Rediscover Business

TERMS AND CONDITIONS OF APPOINTMENT OF INDEPENDENT DIRECTORS

Version	1.0
Owned By	Head | Legal
Approved By	Board of Directors
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1. Introduction

Pursuant to the provisions of the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time ("**Regulations**"), every listed company which has any of its securities listed on any recognised stock exchange, is required to *inter-alia*, frame and disseminate/disclose terms and conditions of appointment of the Independent Directors (*defined hereinafter*) on the website of such listed company. Capital India Finance Limited, *formerly known as Bhilwara Tex - Fin Limited* (**"Company"**) being a listed company, has accordingly decided to disclose the terms and conditions of appointment of the Independent Directors ("**Terms**") on the Company's website.

2. Objective

The objective of framing and disclosure of these Terms on Company's website is to ensure compliance with: (i) Section 149(8) read with Schedule IV of the Companies Act, 2013, and (ii) Regulation 46(2)(b) of the Regulations.

3. Definitions

"**Board of Directors**" or "**Board**" shall mean the board of directors of the Company.

"**Code of Conduct**" shall mean the code of conduct for Board and Senior Management Personnel, as adopted by the Board.

"**Companies Act**" shall mean: (i) the Companies Act, 2013 and the rules made (to the extent notified in force on the relevant date); and (ii) the Companies Act, 1956 and the rules made (to the extent enforceable in force on the relevant date), and the rules made there under, each, as amended from time to time.

"**Independent Director**" shall mean a director of the Company, who qualifies the criteria of independence as stipulated under Section 149 of the Companies Act read with Clause 16(1)(b) of the Regulations.

"**Relative**" shall mean a 'relative' as defined in Section 2(77) of the Companies Act.

"**Related Party**" shall mean a 'related party as defined in Section 2(76) of the Companies Act.

"**SEBI**" shall mean the Securities and Exchange Board of India.

"**Senior Management Personnel**" shall mean officers/personnel of the Company who are members of core management team excluding Board and normally this shall comprise all members of management one level below the Chief Executive Officer/Managing Director/Whole Time Director/Manager (including Chief Executive Officer/Manager, in case they are not part of the Board) and shall specifically include Company Secretary and Chief Financial Officer.

4. Interpretation

Words and expressions used but not defined in the Terms shall have the same meaning assigned to them in the Companies Act, the Regulations, the Securities Contracts (Regulation) Act, 1956

("**Securities Act**"), or the notifications / circulars / directions issued by the Reserve Bank of India ("**RBI**"), as the case may be or in any amendment thereto.

5. Terms of Appointment:

The terms of appointment of an Independent Director shall be as follows:

a) The appointment process of Independent Directors shall be independent of the Company management. The Board, while selecting Independent Directors, shall ensure that there is appropriate balance of skills, experience and knowledge in the Board, so as to enable the Board to discharge its functions and duties effectively.
b) The Independent Directors shall not be liable to retire by rotation.
c) The appointment of the Independent Directors shall be for a period of upto 5 (Five) consecutive years from the date of their respective appointment.
d) The Independent Directors shall be eligible for reappointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
e) The re-appointment of the Independent Directors may be considered by the Board based on evaluation of the performance and subject to satisfaction of the requisite criteria of independence as specified in the Companies Act and the Regulations.
f) No Independent Director shall hold office for more than 2 (Two) consecutive terms, but such Independent Director shall be eligible for appointment after the expiration of 3 (Three) years of ceasing to become an Independent Director.
g) The appointment of the Independent Director shall be approved by the Company at the meeting of the shareholders of the Company and the explanatory statement annexed to the notice of such meeting called to consider the said appointment, shall include a statement that in the opinion of the Board, the Independent Director proposed to be appointed is independent of the management and that he/she fulfils the conditions as specified in the Companies Act.
h) The appointment of Independent Directors shall be formalised through a letter of appointment, which shall set out:
    i. the term of appointment;
    ii. the expectation of the Board from the appointee;
    iii. provision for Directors and Officers (D and O) insurance, if any;
    iv. the Board-level committee(s) in which the director is expected to serve and its tasks;
    v. the fiduciary duties that come with such an appointment along with accompanying liabilities;
    vi. the code of business ethics that the Company expects its directors and employees to follow;
    vii. the list of actions that a director should not do while functioning as such in the Company;
    viii. the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Board and other meetings and profit related commission, if any.

6. Duties of Independent Directors

The Independent Directors shall ensure compliance with the duties as specified under the Companies Act, the Regulations, the guidelines / circulars issued by SEBI / stock exchanges and notifications / circulars / directions issued by the Reserve Bank of India, as modified, amended or substituted from time to time. The Independent Director shall:

a) undertake appropriate induction and regularly update refresh their skills, knowledge and familiarity with the Company;
b) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the Company;
c) strive to attend all meetings of the Board and its committees of which he / she is a member;
d) participate constructively and actively in the committees of the Board in which they are members;
e) strive to attend the general meetings of the Company;
f) where they have concerns about the running of the Company or a proposed action, ensure that these are addressed by the Board, and to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
g) keep themselves well informed about the Company and the external environment in which it operates;
h) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
i) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Company;
j) ascertain and ensure that the Company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
k) report concerns about unethical behavior, actual or suspected fraud or violation of the Company's code of conduct or ethics policy;
l) act within their authority, assist in protecting the legitimate interests of the Company, its shareholders and its employees;
m) not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law;
n) abide by the 'Code for Independent Directors' as outlined in Schedule IV to the Companies Act; and
o) abide by the criteria of independence as stipulated under Section 149 of the Companies Act read with Clause 16(1)(b) of the Regulations.

7. Role and Functions of Independent Directors:

The Independent Directors shall ensure compliance with the roles and functions as specified under the Companies Act, the Regulations, Guidelines / Circulars issued by SEBI / stock exchanges as modified, amended or substituted from time to time. The Independent Director shall:

a) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
b) bring an objective view in the evaluation of the performance of the Board and the Company's management;
c) scrutinize the performance of the Company's management in meeting the agreed goals and objectives and monitor the reporting of performance;
d) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
e) safeguard the interests of all stakeholders, particularly the minority shareholders;
f) balance the conflicting interest of the stakeholders;
g) determine appropriate levels of remuneration of Executive Directors, Key Managerial Personnel and Senior Management Personnel and have a prime role in their appointment, and where

necessary, recommend their removal;

h) moderate and arbitrate in the interest of the Company as a whole, in situations of conflict between management and shareholder's interest.

8. Guidelines of professional conduct:

An independent director shall:

a) uphold ethical standards of integrity and probity;
b) act objectively and constructively while exercising his/ her duties;
c) exercise his/ her responsibilities in a bona fide manner in the interest of the Company;
d) devote sufficient time and attention to his / her professional obligations for informed and balanced decision making;
e) not allow any extraneous considerations that will vitiate his / her exercise of independent judgment in the paramount interest of the Company, while concurring in or dissenting from the collective judgment of the Board in its decision making;
f) not abuse his / her position to the detriment of the Company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
g) refrain from any action that would lead to loss of his / her independence;
h) where circumstances arise, which make an Independent Director lose his independence, such Independent Director must immediately inform the Board accordingly;
i) assist the Company in implementing the best corporate governance practices.

9. Holding Separate Meetings:

a) The Independent Directors shall hold at least 1 (One) meeting in every financial year, without the attendance of non-independent directors of the Company and members of the Company's management and each Independent Director shall strive to be present at such aforesaid meeting.

b) The aforesaid meeting shall:
   i. review the performance of the non-independent directors of the Company and the Board as a whole;
   ii. review the performance of the chairperson of the Company, taking into account the views of the Executive Directors and non-executive directors;
   iii. assess the quality, quantity and timeliness of flow of information between the Company's management and the Board, that is necessary for the Board to effectively and reasonably perform its duties.

10. Committees:

The Board may invite any of the Independent Directors for being appointed on one or more existing Board committees or any such committee that will be set up in the future. The appointment on such committee(s) will be subject to the applicable provisions of Regulations, the Securities Act, or the Companies Act, as the case may be. The Board may reconstitute the composition of any / all the committees, from time to time, and any such change shall be promptly communicated to the concerned Independent Director.

11. Remuneration

The Independent Directors will be paid such remuneration by way of sitting fees for meetings of the Board and its committees as may be decided by the Board from time to time, in accordance with

the limits prescribed under the Companies Act.

Independent Directors will have no entitlement to any bonus during the appointment and no entitlement to participate in any employee stock option scheme operated by the Company or any Group Company (as defined under the relevant notification of the Reserve Bank of India).

12. Reimbursement of Expenses

In addition to the remuneration described above, the Company shall reimburse the actual cost incurred for travel, hotel and other incidental expenses incurred by the Independent Directors for participation in the meeting of the Board and / or the committees of the Board, in the performance of their role and duties.

13. Disclosures

a) The Independent Directors shall, during their tenure of appointment promptly notify the Company of any change in their directorships in other companies and shall also provide such other disclosures and information as may be required under the applicable laws.

b) Upon becoming aware of any existing / potential conflict of interest with their position as Independent Directors of the Company, the Independent Directors shall promptly disclose the same to the chairperson and/or the Company Secretary of the Company.

c) Each of the Independent Directors shall, at the first meeting of the Board in which he / she participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his / her status as an Independent Director give a declaration confirming that he / she meets the criteria of independence as provided under the Companies Act, 2013.

d) During the tenure of appointment, the Independent Director shall promptly inform the Company Secretary in the prescribed manner of any change in address or contact details or personal details provided to the Company at the time of appointment.

14. Performance Appraisal / Evaluation Process

The performance of the Independent Directors shall be evaluated annually, by the entire Board, excluding the director being evaluated. The appointment / re-appointment / continuation of Independent Directors on the Board shall be subject to the outcome of the yearly evaluation process.

15. Termination

a) The resignation or removal of an independent director shall be in the same manner as is provided in Sections 168 and 169 of the Companies Act. An Independent Director may resign from his/her position by serving prior written notice to the Board.

b) An Independent Director who resigns or is removed from the Board shall be replaced by a new Independent Director within 3 (Three) months from the date of such resignation or removal, as the case may be or at the next meeting of the Board, whichever is later.

c) Where the Company fulfils the requirement of Independent Directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new Independent Director will not apply.

16. Confidentiality

The Independent Director shall not, during the term of appointment or after, use for his/ her own, or for another's benefit, or disclose or permit the disclosure of any confidential information relating to the Company, subsidiary or any group or associate companies of the Company, which he / she may have acquired by virtue of his position as an Independent Director, including without limitation, any information without the permission of the Board. The restriction shall cease to apply to any confidential information which may (other than by reason of the director's breach of his term), become available to the public generally.

17. Conflict

The Terms shall stand amended in the event of any conflict / repugnancy between the provisions of the Terms and applicable laws and such applicable law shall prevail over the Terms, to the extent of conflict / repugnancy. The part(s) so conflicting / repugnant shall be deemed to be severed from the Terms and the rest of the Terms shall remain in force.

18. Disclosure of the Terms

The Terms shall be open for inspection at the registered office of the Company by any member of the Company during normal business hours. The Terms shall be posted on the Company's website.